

BEFORE THE PUBLIC UTILITIES COMMISSION

Docket No. DE 16-576

Development of New Alternative Net Metering Tariffs and/or Other Regulatory Mechanisms and Tariffs for Customer-Generators

COMMENTS OF ACADIA CENTER ON STAFF'S FEBRUARY 16, 2018 RECOMMENDATIONS

Eliminating pilot in favor of study

While Acadia Center agrees with Staff that a non-wires alternative (NWA) pilot that focuses solely on distributed generation (DG) would have limited usefulness, we strongly disagree with the staff recommendation that this eliminates the utility of a NWA pilot in this proceeding. As we noted in our Joint Comments submitted on December 8, 2017, a pilot that allows for broadly defined distributed energy resources (DERs) could be designed in such a way to ensure a carveout for DG-only. Such a pilot should proceed, rather than just a study.

Conducting a pilot as part of grid modernization

A NWA pilot could theoretically be conducted as part of the grid modernization proceeding, but as was noted by the Consumer Advocate during the hearing on March 13th, that proceeding has been stalled for a year and it is unclear what, if anything, will be done. The recommendations provided by the Grid Modernization Working Group address data sharing, advanced metering functionality and innovative rates that could facilitate the integration of DERs, but don't envision a pilot or other method of quantifying the value of DER or their ability to defer traditional utility investments.

Conducting a pilot as part of utility least cost integrated resource planning

The Grid Modernization Working Group also recommended that LCIRP and Grid Modernization plans eventually be integrated. Acadia Center continues to support this proposal and believes that utility planning should be required to include a full analysis of non-wires alternatives. However, both a NWA pilot and a locational value study would be beneficial in providing utilities with a better understanding of the benefit of DERs to inform the development of these plans.

Nexant Central Hudson Gas and Electric Study

In its recommendations, Staff references the Nexant Central Hudson Study, *Location Specific Avoided Transmission and Distribution Avoided Costs Using Probabilistic Forecasting and Planning Methods*, as a potential model to use in this proceeding. Acadia Center has several concerns with using this study as a model. Included as Appendix 1 are our joint comments submitted to the New York State Public Service Commission that detail our concerns.

In summary, Central Hudson's approach to determining locational value appears systematically designed to discount the value of DERs by either misrepresenting the ability of DERs to meet system needs or needlessly limiting the ability for a DER to capture that value.

Acadia Center believes that if such a similar study is conducted, it is important to standardize the methodology used by each of the three utilities in calculating the value of NWAs, and ensure that the methodology is transparent and consistent with marginal cost of service COS studies (MCOS).

Nexant's methodology ignores several important system needs, most notably in areas not undergoing growth, and those below trunkline feeders. It also excludes the ability of DERs to extend equipment life, increase reliability and resiliency, and improve power quality. Central Hudson also only considers a subset of potential marginal costs when estimating the DRV and goes even further by proposing a complex new probabilistic method for determining when upgrades will be needed. This methodology has never been approved for use by the NY DPS and raises numerous methodological questions, including:

- Are the historical load growth estimates applicable going forward? What about potential increases in demand due to the adoption of new end uses like electric vehicles and heat pumps?
- What is the proper application of risk tolerance to system planning? How many hours of exposure to outage or overloading conditions are acceptable?

Furthermore, Central Hudson assumed that compensation for value provided to the system should be reduced to something below the actual avoided cost, so that it results in net savings for customers. Central Hudson assigns an arbitrary rate to share avoided costs at 50%, drastically reducing the value that DERs should be compensated

The study did not make clear whether Central Hudson is applying different risk tolerance assumptions with respect to DERs than it applies to the traditional, capital distribution system investments on which the utility is permitted to receive a guaranteed rate of return. We propose that DERs receive equal treatment to traditional utility investments with respect to risk tolerances.

Conclusions

Accordingly, Acadia Center recommends a full NWA pilot be conducted as outlined in Order No. 26,029. A study on the locational value of DERs could be integrated into the VDER process as a first step, but on its own would doubtfully provide the utilities and the Commission with sufficient certainty to embrace DERs as a reliable alternative to traditional investments.

Respectfully submitted,

ACADIA CENTER



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